

paper clips

SPRING 2006

THE CHANGING PAPER MARKET

Related Industry News:

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www.resourceinfo.com

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www.cliffordpaper.com/news.htm

Being commodity-driven, the paper market can be very volatile. Over the past few years we have seen a fairly balanced market, and have successfully managed to align ourselves with current conditions. When contending with fluctuations in the market, Webcom has for the most part, been able to absorb the impact and minimize the effects for our customers. In 2006, we have had to contend with more industry challenges than ever.

Supply Reduction: We are seeing a continued reduction of paper market supply as paper manufacturer's restructure and shutdown unprofitable mills or machines. Since 2000 as much as 20% to 30% of total North American paper making capacity has been removed from the market. In 2005, approximately 10% of capacity was removed - the highest percentage in any given year.

Demand Decline: In addition to a tightening supply market, we are also realizing that the demand for paper is declining. Depending on the type of publishing paper, annual demand is declining at rates of 2% to 4% per year. Some paper grades have been eliminated from mills completely, due to low demand.

Cost Increases: Current trends are suggesting that the cost of making paper has increased significantly, with higher electricity costs, transportation, fuel costs and higher costs associated with the Canadian dollar.

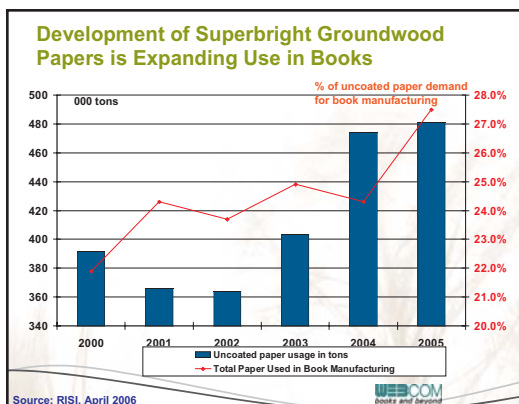
Groundwood Trend: Over the last five years, high bright groundwood papers have increased in their use for book paper from 20 - 30%. This trend is partly due to the lower cost of groundwood papers, and more recently with higher brightness. The lifespan of the average book is less than three years, which makes groundwoods an economic option.

Profitability Challenges: Paper and pulp manufacturing businesses have been unprofitable for a number of years. Many

companies have announced aggressive plans to regain profitability through raising prices, reducing costs, technology investment, write-offs and shareholder dividend reductions.

Managing the Impact: Determined to minimize the impact of these negative forces, Webcom set a progressive plan into motion. We now have a portfolio of inventoried papers with a greater selection of inexpensive groundwoods, and a variety of virgin papers with a higher quality of brightness. Our purchasing team has worked tirelessly with innovative paper sourcing efforts to identify substitutes that maintain the integrity of quality for papers eliminated by mills. Ultimately, there will be unavoidable price increases in on certain paper grades in the coming months, however we have devoted every effort to finding the best solutions.

As we adapt to changing factors in the market and transition to a broader range of economical paper inventory, we are well positioned to support customers in making strategic paper decisions for their publishing needs.



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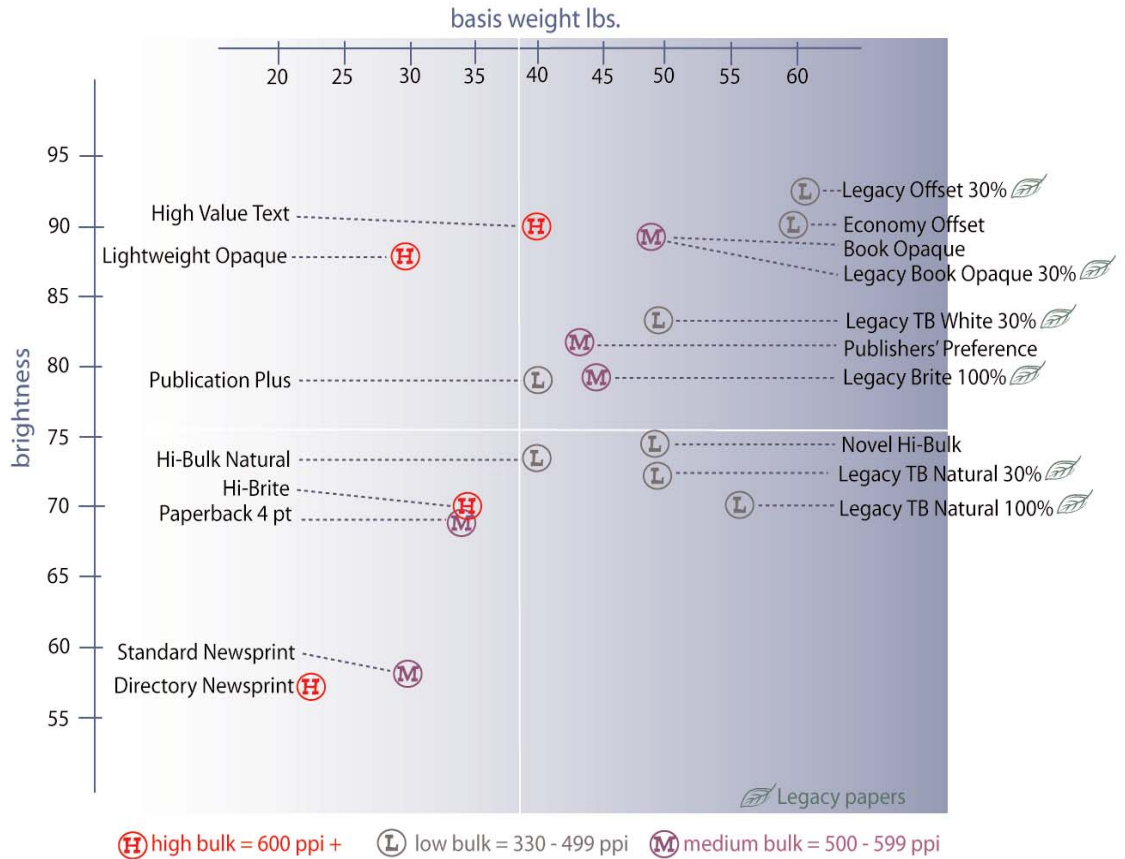
Webcom expands Legacy paper selection

paper clips

SMART PAPER CHOICES

A quick glance

The chart to the right maps out our paper portfolio based on three key factors in paper selection; basis weight (lbs), brightness and bulk (ppi). Of course there are numerous other characteristics which influence paper selection. To order a complete package of our sales tools, with detailed specifications, click below, or go online to www.webcomlink.com.



WEBCOM EXPANDS LEGACY PAPERS

With increasing environmental awareness, the demand for quality recycled grades has risen and we've responded by expanding our Legacy brand offering.

Legacy papers are available in a variety of grades, finishes and weights with varying levels of pre and post-consumer waste (PCW). All Legacy papers are processed chlorine free, which means that harmful by-products have been avoided in the re-bleaching of recycled content. With only a slight increase in cost over most of our standard papers, our Legacy line offers a great environmental option. To order our full compliment of Legacy papers, contact your Webcom sales rep or go online at www.webcomlink.com/enviro.